

## **Health Care Confidential**

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American health care is desperately in need of reform. But what form should change take? Are there any useful examples we can turn to for guidance?



Well, I know about a health care system that has been highly successful in containing costs, yet provides excellent care. And the story of this system's success provides a helpful corrective to anti-government ideology. For the government doesn't just pay the bills in this system — it runs the hospitals and clinics.

No, I'm not talking about some faraway country. The system in question is our very own Veterans Health Administration, whose success story is one of the best-kept secrets in the American policy debate.

In the 1980's and early 1990's, says an article in *The American Journal of Managed Care*, the V.H.A. "had a tarnished reputation of bureaucracy, inefficiency and mediocre care." But reforms beginning in the mid-1990's transformed the system, and "the V.A.'s success in improving quality, safety and value," the article says, "have allowed it to emerge as an increasingly recognized leader in health care."

Last year customer satisfaction with the veterans' health system, as measured by an annual survey conducted by the National Quality Research Center, exceeded that for private health care for the sixth year in a row. This high level of quality (which is also verified by objective measures of performance) was achieved without big budget increases. In fact, the veterans' system has managed to avoid much of the huge cost surge that has plagued the rest of U.S. medicine.

How does the V.H.A. do it?

The secret of its success is the fact that it's a universal, integrated system. Because it covers all veterans, the system doesn't need to employ legions of administrative staff to check patients' coverage and demand payment from their insurance companies. Because it's integrated, providing all forms of medical care, it has been able to take the lead in electronic record-keeping and other innovations that reduce costs, ensure effective treatment and help prevent medical errors.

Moreover, the V.H.A., as Phillip Longman put it in *The Washington Monthly*, "has nearly a lifetime relationship with its patients." As a result, it "actually has an incentive to invest in prevention and more effective disease management. When it does so, it isn't just saving money for somebody else. It's maximizing its own resources. ... In short, it can do what the rest of the health care sector can't seem to, which is to pursue quality systematically without threatening its own financial viability."

Oh, and one more thing: the veterans health system bargains hard with medical suppliers, and pays far less for drugs than most private insurers.

I don't want to idealize the veterans' system. In fact, there's reason to be concerned about its future: will it be given the resources it needs to cope with the flood of wounded and traumatized veterans from Iraq? But the transformation of the V.H.A. is clearly the most encouraging health policy story of the past decade. So why haven't you heard about it?

The answer, I believe, is that pundits and policy makers don't talk about the veterans' system because they can't handle the cognitive dissonance. (One prominent commentator started yelling at me when I tried to describe the system's successes in a private conversation.) For the lesson of the V.H.A.'s success story — that a government agency can deliver better care at lower cost than the private sector — runs completely counter to the pro-privatization, anti-government conventional wisdom that dominates today's Washington.

The dissonance between the dominant ideology and the realities of health care is one reason the Medicare drug legislation looks as if someone went down a checklist of things the veterans' system does right, and in each case did the opposite. For example, the V.H.A. avoids dealing with insurance companies; the drug bill shoehorns insurance companies into the program, even though they serve no real function. The V.H.A. bargains effectively on drug prices; the drug bill forbids Medicare from doing the same.

Still, ideology can't hold out against reality forever. Cries of "socialized medicine" didn't, in the end, succeed in blocking the creation of Medicare. And farsighted thinkers are already suggesting that the Veterans Health Administration, not President Bush's unrealistic vision of a system in which people go "comparative shopping" for medical care the way they do when buying tile, represents the true future of American health care.